The Food Development Centre

A Special Operating Agency of
Manitoba Agriculture and Food

Annual Report

1999-2000

Creation of 46 New Jobs,

Development of 35 new food products,

Projected Increase in Gross Sales of over $1,000,000

Minister of Agriculture
and Food

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

His Honour
The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
235 Legislative Building
Winnipeg MB R3C OV8

Your Honour:

As Minister Responsible, I have the privilege of presenting, for the information of Your Honour, the Annual Report of the Food Development Centre for the fiscal year ended March 31, 2000.

Sincerely,

Rosann Wowchuk
Minister

Manitoba

Deputy Minister of
Agriculture and Food

Room 159
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8
(204) 945-3734

The Honourable Rosann Wowchuk
Minister of Agriculture & Food
165 Legislative Building
Winnipeg, MB R3C OV8

Dear Minister:

I have the privilege of presenting to you the Annual Report of the Food Development Centre (FDC) covering the year ended March 31, 2000. It has been an honour for me to serve as Chairman of the Advisory Board for the Food Development Centre.

With the assistance of that Board, management and staff have successfully assisted Manitoba's agri-food industry in not only increasing markets and sales, but in providing exponential returns on investments to the Province of Manitoba.

Yours sincerely,

Don Zasada
Deputy Minister

FOOD DEVELOPMENT CENTRE

Bringing ideas to market

Don Zasada
Deputy Minister of Agriculture and Food
Chair, Advisory Board
Food Development Centre

Dear Mr. Zasada:

It is my pleasure to present the Annual Report of the Food Development Centre (FDC), for the year ended March 31, 2000. This report outlines the accomplishments of the Food Development Centre that have been achieved in fulfilling the mission to facilitate the creation and expansion of agri-food businesses to generate wealth for Manitoba and Manitobans.

The management and staff are particularly proud of the following achievements, which clearly indicate FDC's past success and benchmark FDC's potential to facilitate future economic development:

- *the servicing of **194** projects*
- *the analytical testing of **8,151** samples*
- *the development of **7** new methods*
- *the development of **35** new food products;*
- *the addressing of **2,983** requests for information;*
- *the development and implementation of partnerships;*
- *the creation of growth by **46** new employment opportunities;*
- *the successful troubleshooting for **14** food processing companies;*
- *the presentation of **9** leading-edge technology training seminars;*
- *the training of **624** individuals at the leading-edge technology seminars*
- *continued economic growth for Manitoba*

We thank you for the ongoing support of both yourself and the department. We are proud of the success of our clients and of the role we have been able to play in the economic growth of Manitoba.

Yours sincerely,

Dave Donaghy
Acting General Manager/CEO

Box 1240 • 810 Phillips Street • Portage la Prairie, Manitoba • R1N 3J9
Toll-Free 1-800-870-1044 • Ph. (204) 239-3150 • Fax (204) 239-3180
A Special Operating Agency of Manitoba Agriculture and Food

The Food Development Centre is proud to announce their realignment as a special operating agency of Manitoba Agriculture and Food. Through this strong and dynamic partnership, MAF and FDC can identify and maximize economic development opportunities for industry, create employment opportunities and ultimately increase wealth for Manitobans. Although this change is in its early stages, FDC's clients have already benefited from the opportunities presented by the alliance.

FDC is also pleased to announce the appointment of Dave Donaghy as Acting General Manager/CEO. Dave will provide FDC with the guidance and expertise that it needs to face the challenges of the new millennium.

FDC and MAF are pleased to present this ***1999/2000 Annual Report*** *featuring "**Ideas Into Success**", a demonstration of your research and development agency at work.*

Manitoba Agriculture and Food

101-00159/

TABLE OF CONTENTS

SECTION I. IDEAS INTO SUCCESS – ONE STORY OF MANY 4
SECTION II. IDEAS TO SUCCESS – HOW? 6
What is FDC about? 6
What makes FDC different? 7
What does FDC do for the province? 8
What are FDC's deliverables? 11
Why do Manitobans need FDC's services and programs? 18
What does it take to produce results? 20
Does marketing help? 22

SECTION III. 1999/2000 BUSINESS PLAN - MEASURING THE SUCCESS 23

Performance Effectiveness 23
Performance Efficiency 25

SECTION IV. ECONOMIC DEVELOPMENT – MAKING A DIFFERENCE 26

SECTION V. FINANCIAL STATEMENTS 27

Financial Statements .....
Variance Analysis .....

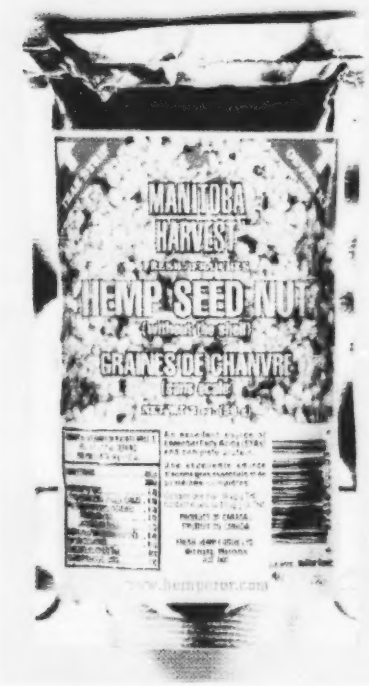
SECTION VI. HUMAN RESOURCES – STAFF PROFILES 39

SECTION I. IDEAS INTO SUCCESS – ONE STORY OF MANY

FDC's success is Manitoba's success.....

With permission of the client, FDC is proud to present to you the following success story as one example of the great contribution that FDC makes to Manitoba's agri-food industry.

FRESH HEMP FOODS



During this fiscal year, FDC entered into an agreement with Fresh Hemp Foods to produce hemp oil, hemp nut and hemp oil capsules. ***This enabled the company to sign a distribution contract with a major distributor of health-related products and supplements***. Building on an extensive informational search regarding the use of hemp, prepared by FDC's librarian, FDC is working with the client to develop other hemp products such as a "hemp snap" snack food, and hemp butter. The company benefited from FDC's contribution agreement with the National Research Council (NRC), through the funding by NRC of one of its research projects. The company has also received funding under the Agri-Food Research and Development Initiative (ARDI) to assist with the development of more novel products from hemp seeds and is studying the feasibility of setting up their own processing plant, possibly at Southport, where they currently have storage facilities. To date, the company has hired one local person bringing the total number of employees to five and the successful completion of these projects could result in **eight new employment opportunities.**

The following page provides, in this client's own words, a summary of the impact that FDC has made on his business.

Fresh Hemp Foods Ltd.

January 27, 2000

Fresh Hemp Foods Ltd(FHF), a hemp seed processing and marketing company began operations in January, 1999. Today it is an exciting and vibrant company with a bright future. The Board of Directors of Fresh Hemp Foods recognizes that this would not have been possible without the efforts of the management and staff of the Food Development Center(FDC).

Right from the beginning, the management of the FDC encouraged and welcomed FHF to take advantage of all that the facility had to offer. The well organized and professional appearance and manner in which the staff of the FDC has conducted business, presents a fine model for young growing businesses to emulate.

But perhaps even beyond their level of professionalism, what is most appreciated is their understanding of and level of compassion for the struggles engaged by start-up companies. The FDC staff went beyond the call of duty several times;

- Installing a unique electrical requirement for our machinery.
- Allowing FHF access to perform 24 hour shifts for better efficiency.
- Helping Launch FHF marketing with exposure in a regional trade show
- FDC Staff often sacrificed personal time to help FHF meet crucial deadlines.

Overall, FHF has found that working at the FDC has been more than the use of a facility, it has put an experienced team behind us.

The FHF Board of Directors is thankful to everyone involved in making the FDC available.

FHF Board of Directors
Martin Moravcik – Vice President

P.O. Box 2311 Winnipeg, Manitoba, Canada, R3C 4A6
Toll Free: 1-800-665-HEMP(4367)
Tel: (204) 942-1185 Fax: (204) 956-5984
Email: info@hemperor.com Website: www.hemperor.com

SECTION II. IDEAS TO SUCCESS – HOW?

What is FDC about?

What is FDC? – FDC is a group of committed individuals trained and experienced in the food science and engineering fields, that operates in three service areas, Product and Process Development, Analytical Testing and Information and Educational Services. FDC's vision is *"to assist in the continuing development of Manitoba as a global source of high quality processed food products."*

What does FDC do? - With the support of Manitoba Agriculture and Food (MAF), FDC's mission is *"to provide leading edge technical leadership in a proactive manner, in the creation, expansion and diversification of the agri-food industry within Manitoba, which will generate wealth for Manitoba and Manitobans."*

What does FDC value? – FDC values the future of the industry and the "difference" that it can make in stimulating economic growth by encouraging and facilitating the incorporation of the value-added concept into its operations. FDC operates under the following objectives:

- *to provide a strong leadership role to the industry as it faces the challenges of the new millennium.*
- *to promote use of current and emerging technologies in food processing.*
- *to provide leading edge expertise to the agri-food industry within Manitoba.*
- *to provide technical and pilot plant services on a fee-for-service basis.*
- *to support the production of wholesome and safe food supplies in Manitoba.*

> *"...the key to the ability to change is a changeless sense of who you are, what you are about and what you value."*
> *- Stephen Covey*

What Makes FDC Different?

The Approach...

Simply put – FDC employs the "going the extra mile for the Province" approach to every service that it provides. The following are some examples of how FDC's service delivery distinguishes it from other "testing" laboratories or from the services that less technically trained staff could provide:

- ✓ All federally registered **meat slaughterhouses** that export to the United States must conduct salmonella testing to meet HACCP requirements. Although there is another Manitoba lab with the same accreditation, FDC serves the majority of Manitoba's meat processors, and is the only lab that utilizes approved methods. FDC is also the only lab that advises clients of regulatory requirements and internal methods and procedures, provides approved sampling supplies and assists in the training of clients' staff in approved sampling methods.

- ✓ CFIA now regulates the **pet treat industry**. FDC worked with the majority of Manitoba manufacturers to help them establish sampling plans and performs follow up testing services.

- ✓ Many production plants must follow both **Canadian regulations and American regulations**. FDC utilizes its established network of contacts with Food and Drug Administration (FDA), and the United States Department of Agriculture (USDA) to act as a liaison on behalf of food manufacturers in obtaining answers to technological and regulatory questions.

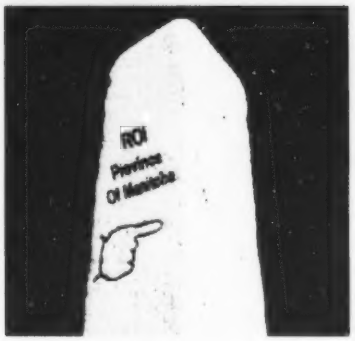
- ✓ A large **bakery** recently submitted a product for nutritional labeling. Rather than just completing the analysis, FDC reviewed the client's data and identified discrepancies on its nutritional claims. Because of this "extra service" the client's product was not removed from grocery shelves, preventing lost revenues and reduced client risk exposure.

NUTRITION INFORMATION NUTRITIONNELLE PER 14 G - 1/2 oz. SERVING PAR PORTION DE 14 g - 1/2 oz.	
ENERGY/ÉNERGIE	60Cal 330kJ
PROTEIN/PROTÉINES	5.0g
TOTAL FAT/MATIÈRES GRASSES TOTALES	0.6g
POLYUNSATURATES/POLYINSATURÉS	0.0g
LINOLEIC/LINOLÉIQUE	0.0g
LINOLENIC/LINOLÉNIQUE	1.2g
MONOUNSATURATES/MONOINSATURÉS	0.9g
SATURATES/SATURÉS	0.7g
CHOLESTEROL/CHOLESTÉROL	0mg
CARBOHYDRATES/GLUCIDES	1.5g

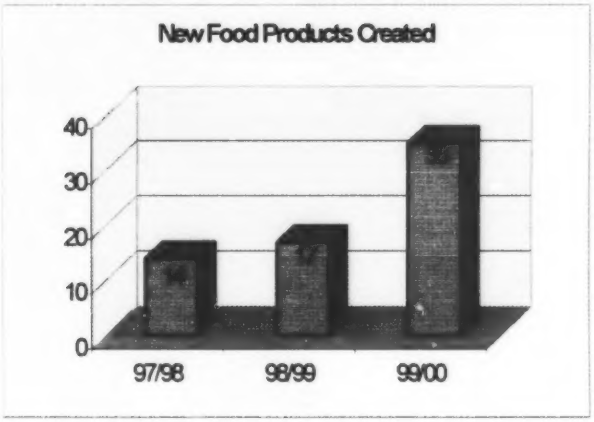
- ✓ FDC conducted over 1000 tests for a client who required testing for **genetically modified organisms** (GMO), in order to authenticate its claims of being GMO-free. FDC is the only laboratory within Manitoba to be able to do this type of testing.

What does FDC do for the Province?

FDC makes a difference...



Type of Product	No. of Products
Condiments	3
Snack Foods	3
Nutraceutical	10
Frozen Entrees	7
Bakery	1
Confectionary	1
Fish	2
Dairy	4
Fruit	4



FDC's economic development activities breathe life into industry. This life is best measured through the following four major outcome measures:

✓ *New food products*

Of these 35 new products, over 70% are currently in the production phase generating income for Manitobans!

✓ *New jobs*

What makes Manitobans successful? Increased wealth through increased employment opportunities. Although FDC does not directly control the activities that are generated from the research projects that it completes, it does take pride in counting increased or retained employment opportunities as one of the key outcomes of its services. FDC is pleased to report the following distribution of new employment opportunities throughout Manitoba:

Product:	**Location:**	**New or Expanded?**	**Jobs Created:**
Dill Sauce	Winnipeg	Expanded	3
Paneer Cheese	Winnipeg	Expanded	3
Oils, Nuts, Capsules	Winnipeg	Expanded	5
Smoked Cheese	Winnipeg	Expanded	1
Chick Pea Snack	Winnipeg	Expanded	1
Soy Nuts	Winnipeg	Expanded	2
Pizza Crusts & Sauce	Rural	Expanded	5
Festive Cakes	Rural	Expanded	2
Hemp Oil, Meal	Rural	Expanded	2
Pizza's, Sandwiches	Rural	Expanded	8
Frozen Entrees	Rural	Expanded	5
Wildberries	Rural	Expanded	1
Hemp Oil, Sunflower Meal	Rural	Expanded	1
Pea Protein, Fibre	Rural	Expanded	1
Fresh Produce	Rural	Expanded	1
Elk Antler Velvet Capsules	Rural	Expanded	2
Saskatoon Topping	Rural	New	1
Hot Sauces	Rural	Expanded	2
Rosehip Oil	Rural	New	
Edible Cups	Rural	New	
		TOTAL:	46

✓ *Increased Gross Sales*

FDC's 194 projects (1996/1997 – 16 projects) are expected to increase annual product sales by more than ***$1,000,000.*** During 2000/2001 FDC will work with Manitoba Bureau of Statistics to more accurately quantify the economic impact of FDC's activities on Manitoba's economy.

✓ *Successful Clients*

The following are a few of the many individual successes that FDC was able to facilitate during 1999/2000:

$ BMW Canola Inc. used the results of the research and development work conducted at FDC to set up a plant for production of canola protein isolate. The company hired **three employees** for the plant.

$ Country Club Foods, a company that produces sandwiches and pizzas for the retail market, required new packaging equipment to meet increased demands for its current production and to expand into new product lines. As the company could not afford the $279,000 capital investment, FDC upgraded its surplus packaging equipment and leased it to them. The company has now expanded its market across Western Canada and plans further expansion into the U.S. With FDC's assistance, the company was able to **maintain it's existing staff of fourteen, plus hire an additional fifteen staff members.**

$ FDC successfully linked Gilbert International with one of its American clients, to act as a co-packer for a line of frozen entrees that FDC and the American client recently developed. This major undertaking has **created employment opportunities** and provided a new market for Gilbert's main product lines, pot pies. The company has already purchased new equipment to keep up with the workload demands. The American company is working with FDC to develop new product lines that will be produced by Gilbert International.

$ FDC has leased its packaging equipment to Premier Packaging Services, enabling the company to keep **seven jobs within the province** by continuing to provide retail packaging services to Manitoba clients.

What are FDC's Deliverables?

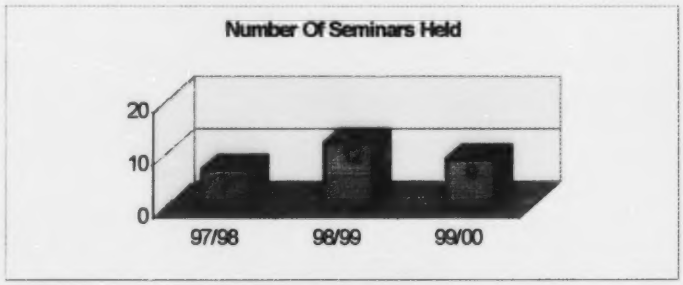
FDC's deliverables are the key to its clients' success and must be managed effectively and efficiently. As illustrated in the following chart, this careful management resulted in significant growth in the level of its key deliverables:

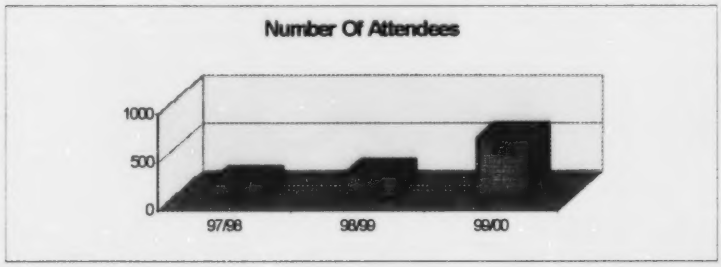
Deliverable	*1997/1998 Annual Baseline*	*1998/1999 Annual*	*1999/2000 Annual*	*% Growth 1999/2000 over 1997/1998*
Individuals Trained	166	246	**624**	**276%**
Process and Product Dev. Projects	26	65	**194**	**646%**
Informational Enquiries	3023	3062	**2983***	**Stable**
Situations Trouble-Shooted	10	10	**14**	**40%**
Number of Analytical Tests	4,686	5,341	**8,151**	**74%**

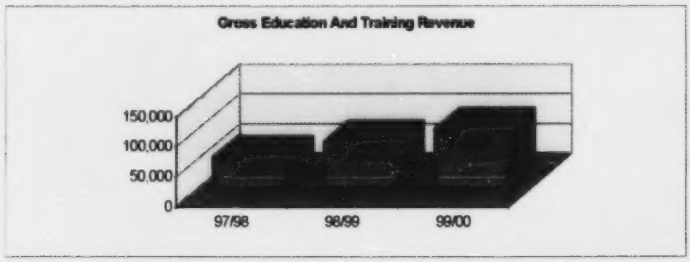
**During this year, industry demand for the librarian's expertise changed to favour more in-depth and time-consuming searches*

Education and Training

FDC's technical expertise, its capability to forge strong partnerships and its ability to respond to industry needs are key factors in the success of FDC's educational program. This program is designed to address specific industry and regulatory requirements and to proactively introduce emerging trends and technology.







FDC's 1999/2000 educational program included:

Program	Economic Impact
Swan Valley Secondary Regional School – educational program	Made community aware of the value-added concept and provided employment opportunities for young people in rural Manitoba
HACCP to meat processors	It is anticipated that HACCP will become a necessity for industry to remain competitive
HACCP - pre-requisites (2 offerings)	Enabled FDC to strengthen its partnership with Red River College and University of Winnipeg while presenting HACCP to a broader audience
HACCP - Implementation (2 offerings)	As above
Preservation Technology	Introduced industry to leading-edge technology
Nutraceutical Conference	Designed to involve people in the production, processing, utilization, research or marketing of nutraceuticals.
Hemp Conference	To provide information on producing, harvesting, processing, manufacturing and marketing of industrial hemp to industry.

Client Driven Research and Development Projects

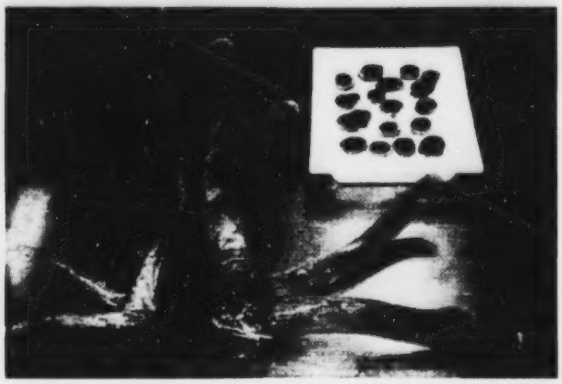
During this fiscal year, FDC participated in 194 client driven projects in five major service areas:

1999/2000 Projects By Service Line	
Service Line	No. of Projects
Analytical Services	76
Pilot Plant	9
Process Development	40
Product Development	57
Education	12
Total	194

The following examples illustrate the diverse nature of both projects and clients:

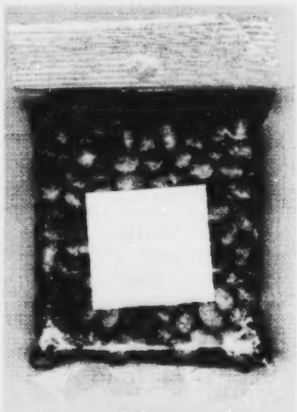
✓ FDC successfully developed **hot-smoked lake trout for the Town of Lynn Lake**. The Town Council evaluated and approved the sample products and initiated a research study to determine the market potential. The development of a fish processing industry using local resources could lead to increased economic development and growth for the town.

- ✓ **Elk antler velvet** which is reported to have health benefits is an emerging industry in North America where alternative medicine is now being accepted. Working with **Range Velvet Inc**. and Government departments, FDC has developed a novel drying process that enables elk velvet to be encapsulated and used as a high quality nutraceutical. As Manitoba processors currently send their antlers to Alberta and Saskatchewan to be encapsulated, it is hoped that this new technology will facilitate the establishment of a processing plant in the province. This could create up to **ten employment** opportunities.



- ✓ Under a strategic alliance, FDC worked with the students of **Swan Valley Regional Secondary School** to develop **creole sauce**. The students were exposed to all stages of the food processing cycle. This project was a means of developing entrepreneurs and new businesses in the rural area, keeping young people at home and strengthening the rural economy.

- ✓ FDC successfully developed a **honey dill sauce for Greetalia Foods**. The company is utilizing FDC's facility to produce the product, which it markets across Manitoba. FDC's federally registered pilot plant will enable the company plans to expand its market across Canada and into the United States. This could lead to the creation of **five new employment opportunities.**



- ✓ FDC successfully completed a project for **Jumpin Jack**, involving the **roasting of soynut**, a product with a high nutritional value. The company has begun market development work and hopes to gain a strong market share due to the recent FDA ruling authorizing the use of health claims on foods containing soy protein as a means of reducing the risk of coronary heart disease. This project is expected to create **three employment** opportunities.

- ✓ Under its contribution agreement with NRC, FDC examined the **sustainable development opportunities in the dairy and poultry industries**. The results of this study, along with utilization of identified technologies, could increase value-added industry activities leading to creation of up to **fifteen employment opportunities**.

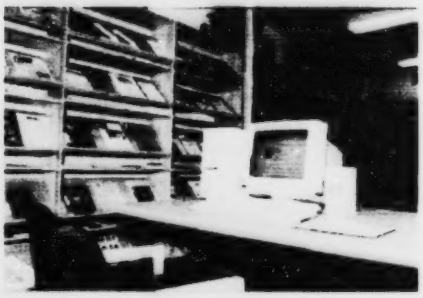
- ✓ **Volga Enterprises** utilized FDC's pilot plant to produce and market its **Panir Cheese**. The company employs one local person. Negotiations are underway to develop new products, such as khoa.

Rai and Jyoti Sachdev of Volga Enterprises, and a sample of their Dada Panir cheese products, which are sold throughout Canada.

- ✓ With the support of Osmonic/Desal Inc., a manufacturer of leading-edge membrane technology, FDC successfully developed **egg white concentrate for Bon-ee-Best**. The company implemented the technology at its plant in Drummondville, Quebec.

- ✓ FDC is currently working with **Miinan Inc**. to develop various **wild blueberry products** including beverages/blends, teas, fruit leather, etc. The company has an established market for products it currently produces (wild blueberry jams, jellies and syrups). The successful completion of this project could contribute **five new positions** to the company work force.

Informational Enquiries

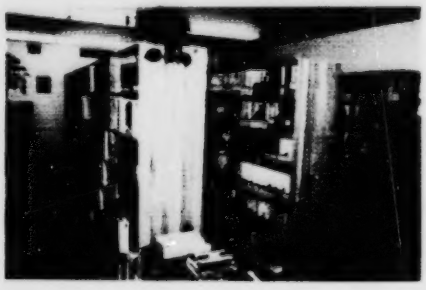


Industry, government and academia continuously require accurate, up-to date information to help in making business decisions where risk and consumers' health are of prime concern. Before making a capital investment, it is essential that industry have knowledge of leading-edge technology, safer practices, consumer preferences, and previous successes and failures. FDC's Library has the resource materials, the access sources of information, and the expertise to collect, interpret, arrange and disseminate this information for clients. FDC's librarian continues to address more than 700 requests for information per quarter.

To ensure that clients receive the highest quality of information, the library employs a continuous improvement initiative. During this quarter this process included:

- ✓ acquiring eight new books and conference proceedings in conversion and processing technologies for the increasingly popular area of utilizing farm and food processing by-products as feeds for animals;

- ✓ meeting with the Agricultural Technical Information Service (AGTIS) representative, FDC's business development co-ordinator, a representative of the Manitoba Food Processors Association (MFPA), and Manitoba's National Research Council Industrial Research Assistance Program (IRAP) food consultant to discuss the possibility of integrating AGTIS into the provision of information to prospective IRAP clients;



- ✓ developing co-operative relationships with other libraries, through its membership in the Manitoba Library Consortium Inc. For example, a health facility in the province has been able to **avoid a large expenditure** on purchasing essential documents that they were able to borrow from FDC; and,

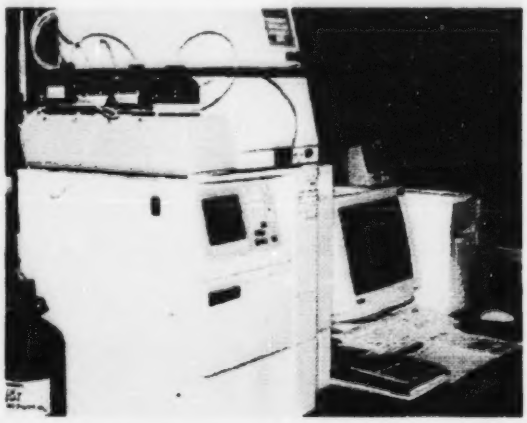
- ✓ answering a growing number of inquiries from other Canadian provinces about industry within Manitoba.

Trouble-Shooting and Safety Measures

In times of crisis, specialized private consultants are often hard to find or are extremely busy, and unable to give the industry immediate support. FDC bridges this gap by providing expedient and cost efficient trouble-shooting and preventive safety measures. Although time-consuming, FDC finds this service very rewarding as it typically **prevents loss of revenue to the client.** Here are two examples of trouble-shooting services FDC provided during the third quarter:

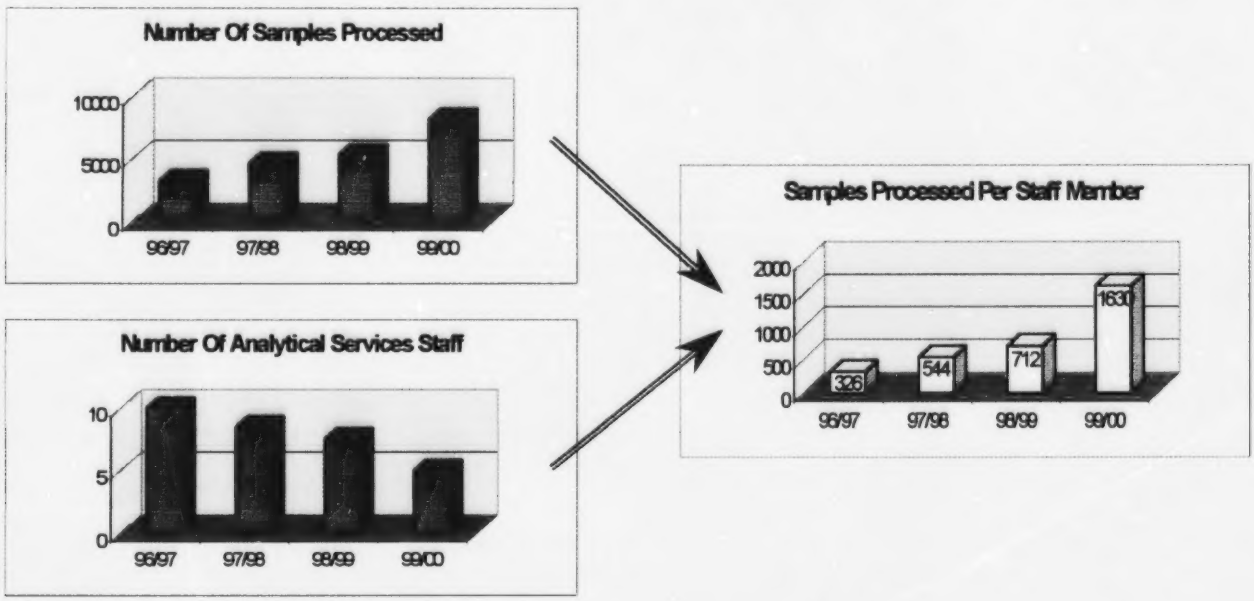
- **$** A large, well-established vegetable processor was having difficulties reading microbiology results in their in-house laboratory. The bacterial counts they were reading indicated that the product should be discarded. In analyzing the situation, FDC identified that the product was satisfactory but the counts taken by the client's technician were incorrect. Not only did **FDC prevent significant loss to the client**, it also provided the client's technician with training in interpreting test results. It is common practice for FDC staff to assist in the training of clients' personnel for in-house labs.

- **$** A new distillery opened in Winnipeg in the fall of 99, but had not yet purchased the equipment required to test the ethanol content of its production. Without knowledge of this content, the product could not be bottled. (If the product were bottled with an incorrect statement of content, the Manitoba Liquor Control Commission would not allow the product to be marketed.) FDC delivered **same-day ethanol results**, a task that no other lab in Manitoba could do, preventing downtime for an entire production staff of 17, higher costs and lost production. FDC also further assisted the client by providing solutions to their formulation problems.



Analytical Testing

Under its public/private partnership with Norwest Soil Research Ltd., FDC's Analytical Services department continues to realize growth in both effectiveness and efficiency as it assists industry in providing a safe and wholesome food supply to both Manitoba and its markets.



Why do Manitobans need FDC's Services and Programs?

In order for industry to survive under the pressures of a growing global economy and rapidly advancing technology, it must be proactively introduced to and guided through technology, information and opportunities. With the closest similar centres located in Ontario and Alberta, Manitobans would find it costly and inconvenient to obtain elsewhere the services that FDC provides. To answer the questions of acceptance and relevancy, FDC asked its clients. Here are their replies:

"We at Jumpin Jack (formally Baba's Joy of Soy) had a wonderful idea, but lacked the expertise on how to bring the idea to life. The Food Development Centre in Portage la Prairie came to our rescue. The expert advice received from the staff provided us with several alternatives and the end result has been the best product of its kind on the market, a dry roasted soya bean snack food. Doing business with the FDC has been a wonderful experience for us. We are looking forward to our continuing work with the FDC. Another project with great results.

Ray LeBlanc
Jumpin Jack

"The Food Development Centre in Portage la Prairie, Manitoba has been an important asset to our plant. Their co-operation and knowledge has helped us in product development and process engineering of new items. We have worked on Pilot Projects within their own CFIA accredited Production Plant, and also had their assistance in implementing these projects in our own plant at production start-up. We have also utilized their library and food and analytical chemistry.

It is great to know that we have this great facility close by to assist us in these diverse categories through our growth phase."

Bob Gilbert
Gilbert International

"Crocus Foods of Portage la Prairie is very grateful to the Food Development Centre. The staff there were extremely helpful in helping us research, source, and finance our new semi-automatic packaging equipment. This addition to our plant has enabled us to better utilize our capacity and maximize packaging efficiences."

Cam Thompson
Crocus Foods

"Last summer we had a production problem in our manufacturing facility in Arborg, Manitoba. We were trying to grow our business however the equipment we had was not performing satisfactory. Our Company approached the Food Centre about a packaging machine they had in house to see if we could acquire this equipment. Once we ascertained that the equipment could be used in our facility, we negotiated a fair deal with the management of the centre. Mr Offet and Alphonsus made their two very capable technicians available for the installation of the equipment. We found Russ Sampson and Gord Gherasim to be extremely helpful and very pleasant to work with. The Food Centre was very cooperative and supportive. They were as concerned as we were about the success of our business venture and worked with us on every concern we had. In January of this year, Gord Gherasim came to the plant and worked with our mechanic and the technical mechanic and they were very successful in getting the machine to run very smoothly. We are now producing some excellent product out of our plant in Arborg, which includes two private label products for a distributor in Saskatchewan and a new brand for a number of new distributors in Alberta and B.C. We now have the capacity and the facility to qualify (HACCP, QA) to hopefully obtain the Hospital contract for sandwiches for the City of Winnipeg and hopefully for the Province of Manitoba. We also attended a trade mission last weekend with the Federal and Provincial Governments, the Manitoba Food Processors Association, and some of Manitoba's other small business partners.

We are very pleased with the cooperation of the Food Centre and plan on using the service of the centre in new product development in the months and years ahead."
Frank D Sylvester
Cool Cuisine Food Consultants Country Club Foods Ltd.

What does it take to produce results?

To present Manitoba with optimum opportunities and service, FDC carefully manages and maximizes all its available resources:

✓ *Human Resources* – FDC prides itself on its staff recruitment and development strategy, which provides industry with the highest level of technical expertise that comes with knowledge and experience. As the nature of its services are often labour-intensive, FDC continuously employs new methods of obtaining expertise at lower costs. More specifically, FDC:

- employs industry experts on a sub-contract, per-project basis;
- partners with educational institutions in co-op training programs;
- participates in resource-sharing arrangements with other centres with different areas of expertise; and
- utilizes its administrative staff to complete revenue generating projects.

✓ *Equipment Resources* – Despite the age of FDC's current complement of obsolete inventory and the difficulties it faces in financing new acquisitions, FDC supplements this equipment, wherever possible by:

- borrowing equipment from other centres, industry and manufacturers;
- encouraging manufacturers to utilize FDC's facilities as a showcase for their products. (FDC is currently negotiating a major arrangement with a prominent supplier); and
- leasing or renting equipment.

Every effort is made to bring current technology to Manitoba Industries.

✓ *Partnerships* - FDC has the unique ability to create alliances and partnerships with all entities related to agri-food research and development. This provides industry, the Province and in turn FDC's partners with a "one-stop shopping" approach that builds synergy, strength and success. These are some of the major 1999/2000 FDC partners:

- Manitoba Agriculture and Food
- Manitoba Food Processors Association
- Norwest Soil Research Ltd.
- National Research Council of Canada
- Keewatin Community College
- Business Development Bank
- Assiniboine Community College
- University of Manitoba
- Tetra Pak

"Canadian small companies have a big impact on industrial innovation. The National Research Council's Industrial Research Assistance Program (IRAP) is designed to help innovative small and medium-sized companies meet the unique challenges they face in bringing new products, processes or services to market. One of the ways IRAP achieves its goals is through its nation-wide network of people and organizations that know what it takes to succeed in a dynamic and competitive marketplace. The IRAP network is made up of more than 130 public and private research and technology-based organizations that make up a major component of Canada's innovation system. With its specialized technical expertise and facilities, the Food Development Centre has been a long-time member of the IRAP network, and is recognized by IRAP as being a key player in Manitoba's innovation system for the food processing sector."

Vivian Sullivan
National Research Council

"Since the official signing of the joint venture between Norwest Soil Research Ltd. and the Food Development Centre there have been many positive events. The venture began in the spring of 1997 and the analytical spectra of Norwest has been enhanced with the inclusion of the food testing division of FDC. Both the nutrient and the microbiological sections have allowed Norwest to provide clients with a complete one-stop service in food testing. Furthermore, the additional and analytical capabilities including the scientific expertise have provided a competitive advantage. Finally, Norwest's profile in the market and more specifically in the food analysis sector, has developed the venture with the support of the Centre.

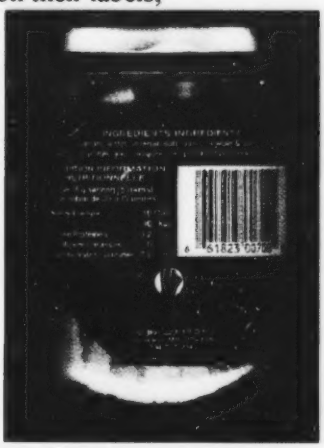
Tracy Gilson
Norwest Soil Research Ltd.

Does Marketing Help?

FDC's Business Development Co-ordinator, Markus Schmulgen, works extensively with Manitobans in identifying economic development opportunities. During the year, as part of his leadership activities, Markus

✓ informed clients about provincial and federal tax incentives for research and development, which generated many responses and inquiries;

✓ offered FDC labeling assistance to clients and encouraged clients to feature FDC's logo on their labels;



Jason and Wanda Kurchaba, of Wild West Pickled Carrots, got help from their mothers Zelma Salyn and Phyllis Kurchaba, and from the experts at the Food Development Centre. The finished product's labeling, pictured at left, proudly tells Manitobans that it was developed right here at our own FDC.

✓ featured FDC at industry events, such as:

- non-timber forest products
- Manitoba Ag-Days
- Tourism Conferences
- Manitoba Nutraceutical Conference in Morden
- Brandon University Students tour
- Making it Happen Conference
- Food and Beverage Expo
- Direct Farm Marketing Conference
- Agrologists meetings
- Manitoba Food Processors events.

SECTION III. 1999/2000 BUSINESS PLAN – MEASURING SUCCESS

Performance Effectiveness

FDC's Business Plan identified five objectives to be achieved during 1999/2000 and six milestones by which to measure its progress. FDC is proud to report its success in achieving these objectives.

1999/2000 Objectives:

✓ ***to provide a strong leadership role to Manitoba's agri-food industry as it faces the challenges of the millennium***

FDC continues to strengthen its leadership role through the forging of strong partnerships, the development of strategic planning and its realignment with Manitoba Agriculture and Food. Through the proactive development of services that anticipate industry requirements and an extensive marketing campaign, FDC has taken the lead in introducing and applying new technology to existing and potential industry. The doubling of attendance at FDC's technical workshops, the increase in active projects, and the dramatic impact on industry gross sales are examples of the results of this leadership.

✓ ***to promote the use of current and emerging technologies in food processing***

FDC introduced current and emerging technologies to Manitobans by conducting 9 technical training seminars and through the development of 7 new analytical testing methods that directly addressed industry requirements. It provided vital technology transfer support to Manitobans through its library, which responds to almost 3000 informational requests per year. These activities result in increased industry ability to incorporate competitive technology into its operations.

✓ ***to provide leading edge expertise to the agri-food industry within Manitoba***

FDC's program of staff development (refer to Appendix III) its extensive system of networking with industry and academia throughout the world, and its program of technical seminars provided industry with access to leading edge expertise. FDC's increase in fee-for-service revenue and increased repeat attendance at seminars demonstrate industry's recognition of its requirement to remain competitive to survive.

✓ ***to provide technical and pilot plant services on a fee-for-service basis***

FDC continues to realize a growth in fee-for-service activities and through innovative strategies was able to assist industry in project financing and risk sharing. This objective is critical to FDC's own survival as an SOA.

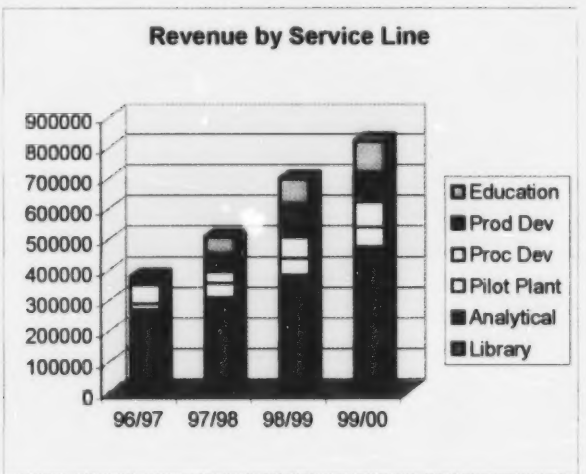
✓ ***to support the production of wholesome and safe food supplies in Manitoba***

FDC supported the production of wholesome and safe food supplies through the development of 7 new analytical testing methods to both pro-actives and reactively meet industry trends, the introduction of HACCP and the successful troubleshooting for 14 food companies within Manitoba.

1999/2000 Milestones:

✓ ***Completion of Stage One and Two of FDC's Strategic Plan*** - FDC's 5-Year Strategic Plan and 2000/2001 Business Plan contain a detailed process for the addressing of the eight major components specified as being crucial in the re-defining of FDC's future. FDC's management team, with support from MAF will complete the plan for Treasury Board review in September 2000.

✓ ***23% increase in fee-for-service revenues*** – Even with the operational impact of high staff turnover, obsolete facilities and equipment and limited resources, FDC was able to realize a 20% increase in fee-for-service revenues.



- ✓ ***Exercising of the option to purchase the assets of the Analytical Services Department by Norwest Soil Research Ltd.*** – Negotiations are underway.

- ✓ ***Training of 624 persons in a technical aspect of the agri-food industry*** – through its educational program, FDC trained 485 individuals in 9 seminars featuring leading edge agri-food technology.

- ✓ ***Direct and indirect creation of 100 jobs in Manitoba*** - FDC's activities directly facilitated the creation of 46 jobs in Manitoba. As each new agri-food job is expected to create an average of 2.5 spin-off jobs, FDC estimates that it has facilitated the creation of more than **110** new jobs during 1999/2000.

- ✓ ***Involvement in the creation of 20 new businesses and the expansion of 10 others***. – FDC was directly involved in the expansion and creation of 20 businesses during 1999/2000.

Performance Efficiency

FDC charges clients on a fee-for-service basis, and funds economic development activities through an agreement with the Province of Manitoba. Its funding structure can be compared to other centres as follows:

Centre	*Operating Subsidies*
FDC	$912.4 (**40.9%** of operating costs)
PEI Food Technology Centre	Base operating budget of $1,251.3 – increases with increased costs to ensure that **60%** of operating costs are always funded.
Alberta Food Technology Centre	**70%** of operating costs
Guelph Food Technology Centre	Initial $30.0 million investment used as a sinking fund

Financial Results:

FDC's Balance Sheet does not reflect the impact of the exercising of Norwest Soil Research Ltd's option to purchase the assets of the Analytical Services.

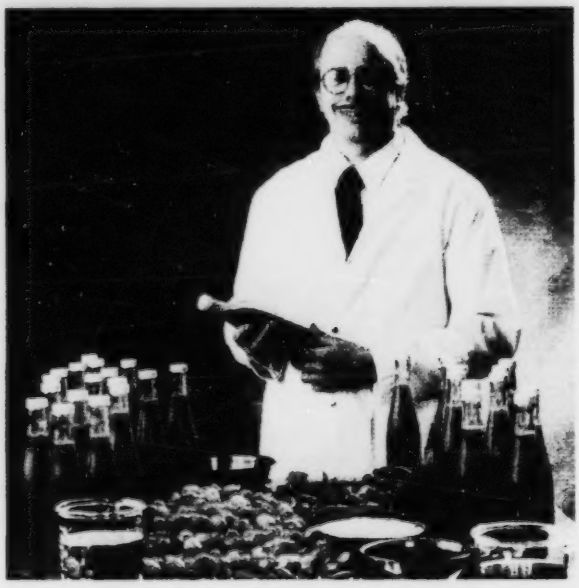
FDC's net income of $136.5 reflects supplementary funding received to cover accumulated operating deficits. In effect, FDC will begin April 1, 2000 with no accumulated deficit. As this cash payment was not received until April 20, 2000, an account receivable in the amount of $321.0 has been recorded in the statements.

FDC's current ratio at March 31, 2000 of 0.52 reflects the strengthening in the current financial position achieved through the supplementary funding. Unfortunately, this does not correct FDC's long-term operating problems associated with not being able to access long-term funds for capital acquisitions.

SECTION IV. ECONOMIC DEVELOPMENT – MAKING A DIFFERENCE

By meeting its business plan objectives and milestones, FDC has increased the level of agri-food jobs and revenues within Manitoba-----

"FDC - Developing Ideas into Success"



Ed Penhall is turning his ideas for Manitoba-made Aurora Pepper Sauce into success, with assistance from the Food Development Centre.

APPENDIX I. AUDITED FINANCIAL STATEMENTS

Responsibility for Financial Reporting

The Agency is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgements. The Agency's financial statements have been audited by Chapman and Verwey, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free access to the Board, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

Dave Donaghy
Acting General Manager

May 18, 2000

Pat Scott. CMA
Controller

May 18, 2000

Financial Statements of

FOOD DEVELOPMENT CENTRE

Year ended March 31, 2000

Chapman & Verwey
CHARTERED ACCOUNTANTS

Telephone (204) 857-6851
Toll Free 1-800-897-6246
Fax (204) 239-6226

Email: chapman@portage.net

201 Bell Building
32 Tupper Street North
Portage la Prairie, Manitoba
R1N 1W6

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of Food Development Centre, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of operations and deficit and changes in cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chapman & Verwey

Chartered Accountants

Portage la Prairie, Manitoba

May 18, 2000

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Balance Sheet
(In Thousands)

March 31, 2000, with comparative figures for 1999

	2000	1999
Assets		
Current assets:		
Cash	$ 27	$ 2
Accounts receivable (note 3)	194	169
Receivable from the Province of Manitoba	321	–
Prepaid expenses	42	56
	584	227
Capital assets (note 4):		
Cost	678	478
Accumulated amortization	222	137
	456	341
Other assets (note 5)	5	8
Severance pay receivable from Province (note 14)	83	83
	$ 1,128	$ 659
Liabilities and Deficiency in Assets		
Current liabilities:		
Working capital payable (note 6)	$ 729	$ 464
Accounts payable and accrued liabilities	114	83
Accrued vacation pay (note 7)	111	94
Severance pay liability	86	83
Unearned revenue	47	4
Current portion of capital lease obligation (note 13)	30	27
	1,117	755
Capital lease obligation (note 13)	11	40
Deficit	–	(136)
Commitment (note 10)		
Contingency (note 12)		
	$ 1,128	$ 659

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Statement of Operations and Deficit
(In Thousands)

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Revenue:		
Contract - Province of Manitoba	$ 912	$ 912
Contract - National Research Council	57	27
Fee for service	642	559
Consulting and training services	106	126
Interest and other income	58	24
	1,775	1,648
Direct operating expenses:		
Lab supplies	103	85
Purchased services	105	117
Travel	83	72
Salaries	1,003	905
Postage, courier and telephone	58	62
Printing and stationery	19	19
Marketing	54	52
Library	45	39
	1,470	1,351
Administrative expenses	511	439
Loss from operations	(206)	(142)
Other income (expense):		
Write down of other assets	(5)	–
Gain on sale of capital assets	27	14
Deficit funding - Province of Manitoba	321	–
	343	14
Net income (loss)	137	(128)
Deficit, beginning of year (note 8)	(137)	(9)
Deficit, end of year	$ –	$ (137)

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Statement of Changes in Cash Flows
(In Thousands)

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	$ 137	$ (128)
Items not involving cash:		
Amortization	86	75
Gain on sale of capital assets	(27)	(14)
Write down of other assets	5	–
	201	(67)
Change in non-cash working capital balances:		
Accounts receivable	(25)	(26)
Receivable from the Province of Manitoba	(321)	–
Prepaid expenses	14	(11)
Accounts payable and accrued liabilities	30	14
Accrued vacation pay	17	18
Severance pay liability	4	–
Unearned revenue	42	(5)
	(239)	(10)
	(38)	(77)
Financing activities:		
(Decrease) increase in capital lease obligation	(27)	67
Investing activities:		
Other asset purchases	(2)	(3)
Capital asset purchases	(200)	(210)
Proceeds from disposition of capital assets	27	14
	(175)	(199)
Net decrease in cash position	(240)	(209)
Cash position, beginning of year	(462)	(253)
Cash position, end of year	$ (702)	$ (462)

Cash position is comprised of the following amounts:

	2000	1999
Cash	$ 27	$ 2
Working capital payable	(729)	(464)
	$ (702)	$ (462)

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Notes to Financial Statements
(In Thousands)

Year ended March 31, 2000

---

1. **Nature of organization:**

   Established in 1977, as part of the Manitoba Research Council, the Food Development Centre serves the agri-food Industry by providing a wide range of services in the food, feed, and beverage industries. Food Development Centre offers food product development research, testing services and assistance with technology transfer to enable industry to efficiently and economically produce high quality foods.

   Effective April 1, 1996, the Food Development Centre was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

   The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

   A Management Agreement with the Financing Authority assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of the Financing Authority.

   The Food Development Centre is a part of the Department of Agriculture and Food under the general direction of a General Manager/Chief Executive Officer, and ultimately the policy direction of the Deputy Minister and Minister.

   The Food Development Centre remains bound by relevant legislation and regulations.

   The Food Development Centre is economically dependent on the Province of Manitoba, as it derives a significant portion of its revenue from the Province.

2. **Significant accounting policies:**

   (a) Management estimates:

   The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

   (b) Basis of reporting:

   The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets assumed as part of the conversion to a Special Operating Agency, April 1, 1996, are stated at their estimated fair value as determined by the Province. Capital assets acquired subsequently are stated at cost. Amortization is provided using the following method and annual rates:

Equipment and sign	20% declining balance
Computer equipment	20% straight line
Leased equipment	20% declining balance

(d) Other assets:

Research and development costs are expensed as incurred with the exception of the development costs required to develop the "Salmonella Detection Kit." These costs have been capitalized and will be matched against the anticipated revenue.

(e) Revenue recognition:

Fee for service revenue is recognized on percentage of completion basis.

All funds received and due from the Province of Manitoba as at March 31, 2000 have been recognized as income in the current year.

3. Accounts receivable:

The accounts receivable balance is comprised of the following amounts:

	2000	1999
Trade accounts receivable	$ 229	$ 160
Allowance for doubtful accounts	(45)	–
Work in progress	10	9
	$ 194	$ 169

4. Capital assets:

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Equipment and sign	$ 475	$ 142	$ 333	$ 203
Computer hardware and software	120	57	63	63
Equipment under capital lease	83	23	60	75
	$ 678	$ 222	$ 456	$ 341

5. Other assets:

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Capitalized development costs	$ 5	$ –	$ 5	$ 8
	$ 5	$ –	$ 5	$ 8

6. Working capital payable:

The agency has an authorized line of working capital of $1,000 of which $729 was used as at March 31, 2000.

7. Accrued vacation pay:

The employees of the Food Development Centre are entitled to vacation pay in the current year, based on the prior year's employment. A provision for this liability has been recorded in the financial statements. The Food Development Centre has also accrued vacation pay for services rendered prior to the Agency receiving Special Operating Agency status for certain employees.

8. Deficiency in assets:

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Food Development Centre. As at April 1, 1996, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $35. This amount was recorded as the deficit at April 1, 1996.

9. Public Sector Compensation Disclosure:

Compensation to employees in excess of $50 include the following individuals:

	2000	1999
Offet, Gerald - General Manager / C.E.O.	$ 80	$ 79
Utioh, Alphonsus - Manager Product and Process Development	68	61
Scott, Pat - Controller	54	56

10. Commitment:

The Food Development Centre is obligated to make payments to Workers Compensation for an employee currently on disability. The total financial impact on the Centre is not determinable since the length of time the payments will be required is unknown.

11. Related party transactions:

The Food Development Centre has entered into an agreement with Norwest Soil Research Ltd. whereby the Analytical Services Division of the Centre receives marketing and management assistance. In return for this assistance, Norwest Soil Research Ltd. will have the opportunity to purchase the business assets of the Analytical Services Division on or before March 31, 2000. As at May 18, 2000, the date of our audit report, negotiations were still in progress.

Specific related party transactions occurring in the current year include:

Revenue - Fee for service	$	24
Expenses - Purchased services		52
Accounts receivable, end of year		10
Accounts payable and accrued liabilities, end of year		13

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Contingency:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

13. Capital lease obligation:

Year ending March 31:

2001	$	32
2002		12
Total minimum lease payments		44
Less amount representing interest at 10.135%		3
Present value of net minimum capital lease payments		41
Current portion of obligations under capital lease		30
	$	11

14. Severance pay benefits:

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $83 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $83.

15. Financial instrument:

Credit risk:

The company is exposed to credit risk on the accounts receivable from its customers. The company does not have a significant exposure to any individual customer. An allowance for doubtful accounts has been established by the company, based upon factors surrounding the credit risk of specific customers, historical trends and other information.

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Administrative Expenses
(In Thousands)

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Advisory committee fees	$ 1	$ 1
Accreditation and licensing fees	8	26
Amortization	86	75
Professional fees	13	6
Bad debt expense	62	6
Occupancy expenses	192	181
Computer expenses	21	15
Equipment operating costs	26	49
Fees and memberships	9	5
Repairs and maintenance	18	16
Insurance	24	24
Research and development	–	1
Interest	15	14
Interest on capital lease	5	5
Staff training	25	13
Staff relocation	6	2
	$ 511	$ 439

Variance Analysis:

Contract – NRC	FDC had hoped to re-negotiate the terms of its contract with NRC during 1999/2000. These discussions are still underway and the anticipated $38.6 in revenue was not realized.
Fee-for-Service Revenue	FDC is pleased to report that it has experienced an 15% growth in fee-for-service revenues over 1998/1999 and it has exceeded target revenue levels in all areas of Analytical Services. The 1999/2000 Budget included aggressive revenue targets in Product and Process Development. FDC has not yet been able to attain these levels, due to staff turnover, learning curves, and age of equipment.
Fee-for-Service – NRC	National Research Council's IRAP program funds FDC's activities of a purely research and development nature. FDC experienced a 114% growth in revenue in 1999/2000 as compared to 1998/1999.
Consulting	Consulting fees include the gross tuition costs for education seminars, and is 160% higher than budget. The decrease from 1998/1999 is due to less billable time being spent on Leaf Rapids issues.
Lease Income	Lease income represents unused FDC equipment that has been leased to a client under a long-term agreement.
Other Income	Other income includes interest income, cost recoveries from Human Resources Canada under employment agreements for which a total of six employees were hired under various programs, and $27.0 recovery for salary from G. Offet from Intergovernmental Affairs.

Laboratory Supplies	Lab supplies is a function of fee-for-service revenue. The increased level reflects the increase in fee-for-service revenues in Analytical Services and additional costs required in methodlogy development and to gain SCC accreditation. (Many of FDC's larger clients using its microbiology services must have their product tested in an accredited laboratory. FDC is the only one in Manitoba).
Purchased Services	Purchased services include the costs of sub-contract work to other laboratories, and the costs of hiring technical consultants for specific projects and to cover absences during periods of staff training. The hiring of the Process Engineer in January 1999 has resulted in an 11% decrease in costs over last year.
Travel	Travel costs are 36% over last year due to increased client visitation.
Salaries	Salaries are higher than in 1998/1999 due to the hiring of a process engineer and through costs associated with project specific hiring and vacation accruals.
Accreditation	Accreditation costs represent FDC's efforts to gain and maintain external accreditation. The higher 1998/1999 expense included costs associated with attempting to become HACCP certified
Amortization	Amortization has increased over last year due to the impact of the half-year rule for amortization in 1998/1999, and under budget due to the deferral of capital acquisitions.
Audit and Legal	This includes expected additional professional fees associated with the Norwest purchase.
Bad Debts	Bad debts expense includes allowance for doubtful and write-offs of uncollectable accounts receivable.

Real Estate Costs	Real Estate costs represent the cost of the building management agreement with Manitoba Government Services, which has increased by 5% over last year's agreement.
Equipment Operating Costs	Equipment operating costs are 32% below budget and 45% below last year due to efforts to collaborate with equipment manufacturers to use demonstration equipment for projects.
Building Repairs	Building repairs are consistent with 1999/2000 but over budget due to the age and condition of the facility.
Insurance	Insurance costs include professional liability insurance that FDC maintains for its professional staff.

ADVISORY BOARD MEMBERS

Marjorie Jarvis	***a Manitoba small business owner who has been acknowledged for significant contributions to the Manitoba economy.***
Don Zasada	***Deputy Minister of Manitoba Agriculture and Food with extensive experience in both provincial and federal governments.***
Sid Gordon	***a successful mixed grain and livestock operator whose background in formulating farm policy includes chairing the Grains 2000 Task Force, with specific emphasis on the value-added segment of the report.***
Ken Einarson	***a former Vice President and General Manager of Simplot Canada, with a wealth of general business management expertise.***
Dave Donaghy	***Acting General Manager for FDC-a senior executive with Significant agriculture and management experience.***

SECTION VI. HUMAN RESOURCES - STAFF PROFILES

Dave Donaghy, Agrologist, Ph.D.
Acting General Manager/Chief Executive Officer
The Assistant Deputy Minister responsible for the Agricultural Development and Marketing Divison. He assumed responsibility for management of the FDC on an interim basis on April 11, 2000 and will guide the Centre through the crucial strategic planning process. Dave has twenty-five years of experience with the Department, having served in several technical positions, and also spent a short time in the agricultural chemical industry. A graduate of the University of Manitoba, Dave has a broad range of professional, business and government experience upon which to draw. His management and market development skills and research-oriented background are key factors in the future success of FDC within Manitoba Agriculture and Food.

Alphonsus Utioh, P. Eng.
Manager, Food Product and Process Development
Since completing his university studies with a Master's Degree in Chemical Engineering in 1986, Alphonsus has been working in the food industry, managing projects in the area of value-added processing of agricultural commodities. In addition to his management responsibilities, he works in a consulting capacity to liaise with the food processing industry and affiliated sectors in areas of new product/process development, process troubleshooting and technology transfer in development of fee-for-service work. Alphonsus has extensive experience in extraction of high-value components from horticultural crops, application of membrane technology in food processing, team building, and people and project management.

Lei (Leigh) Gao, B.Eng., M.Sc., Ph.D.
Team Leader, Process Development
Leigh has extensive experience in functional foods and ingredients, and has developed several novel processes for food and functional ingredient production. All these processes are currently under patent application. Prior to joining FDC in January 1999, Leigh worked with several companies as a research and development scientist with Agriculture and Agri-Food Canada in British Columbia. He will work closely with the industry and other collaborators, and develop food and ingredient processes useful for the Manitoba food industry.

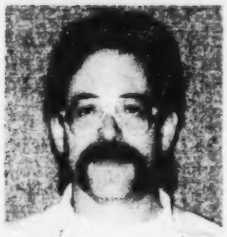
Susan Ryan, B.Sc. - Acting Team Leader, Product Development
As the Acting Team Leader for Product Development, Susan provides leadership on fee-for-service projects, liaison with clients to assess their technical needs and prepares project proposals and contracts. Susan has experience in developing bakery and confectionery products. She also has extensive experience with product shelf life testing, nutrition and low fat food production.

Sarah Medina, B.Sc. - Product Development Consultant
As a product development consultant, Sarah works on the formulation and development of recipes and new products. She also assists in the implementation of the Hazard Analysis Critical Control Points. Prior to joining FDC, Sarah worked for a honey and juice plant in the areas of quality control, HACCP, and product development.

Shelley Hiron - Product Development Consultant
Shelley is an independent consultant who works on a contract basis on product development. Shelley received her training from the food science program at the University of Alberta's faculty of agriculture.

Leah-Ann Schultz, B.H. Ecol. - Product Development Assistant
Leah-Ann's experience in carrying out research projects and conducting consumer sensory analyses of food products enables her to provide daily technical assistance to the Product Development Consultants.

Gord Gherasim - Pilot Plant Technologist
Gord carries out routine repairs and periodic maintenance of all equipment support systems. A licensed Pasteurizer and Milk Receiver for the Province of Manitoba, Gord is heavily involved in client project work, in addition to his role as shipper, receiver and expediter.



Russ Sampson - Pilot Plant Technologist
Russ has experience in food production and sanitation procedures. Russ participates in production and development projects in the pilot plant. He ensures that all sanitation standards in the pilot plant are maintained in accordance with Canadian Food Inspection Agency requirements.

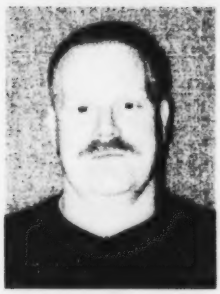
Pat Scott, CMA - Controller
As Controller of FDC, Pat is responsible for the Financial, Administrative, Human Resource and Facilities management of the Agency. In addition, Pat provides on-site management on behalf of the General Manager during times when business takes him off-site. Pat received her professional designation with the Society of Management Accountants in 1985. Since that time, Pat has acquired extensive professional experience in all facets of financial and management accounting, especially in the area of financial management during times of change. Pat's experience includes controllership of Special Operating Agencies, profit and non-profit organizations. She has also served as treasurer on numerous boards of directors and has been involved with the Society of Management Accountants in their educational program.

Linda Petriuk, B.Sc., B.A., M.L.I.S., - Librarian
Linda specializes in scientific and technical information. Linda has expanded and developed the library into one of the primary sources of food related information in the country. Her expertise in sourcing information makes the library a valuable resource to staff, clients, government and industry. In addition, as a prominent member of the library community, Linda has been able to identify partnership possibilities and to encourage resource-sharing resulting in cost savings for the Province of Manitoba.

Craig Whitlaw - Network Support Analyst
A graduate of Red River Community College's Microcomputer Business Network Analyst program, Craig holds responsibility for FDC's electronic information systems. Craig maintains existing hardware and software systems, evaluates new technologies and implements system upgrades. He is also responsible for the development and ongoing maintenance of FDC's Internet Web site and Intranet system.

Audrey Shaw – Office Co-ordinator
Audrey co-ordinates office activities, serves as liaison with the property manager, and maintains the accounting general ledger. Audrey is currently enrolled in an accounting program and holds a certificate in human resource management.

Diane Miller – Business Development Assistant
Diane is responsible for first line client service both within the Centre and at trade shows and marketing events. Diane's extensive media experience enables her to provide a wide variety of assistance to the Business Development Co-ordinator.



Markus Schmülgen, P. Ag. B.Comm. M.Sc. Ag. Econ.
Business Development Co-ordinator

Markus has responsibility for all business development activities of FDC. This includes representation of the Agency through speaking engagements, media coverage, advertising material, educational seminars, and trade shows.

Jacqueline Barrett – Receptionist (Half-time)/Pilot Plant Assistant

Jacqueline was a member of FDC's Analytical Services Staff for three years. In April 2000, she accepted a position with FDC's Administration and Product and Process Development staff. Her medical secretary and her experience in the food industry will bring much needed support to these two departments.

Alok Anand , B. Eng., M.Sc.- Process Development Assistant

Alok joined FDC in January 2000. He carries out research in the areas of process development and technology transfer. He also prepares project proposals and contracts for fee-for-service work. He also participates in regular pilot plan activities. His expertise is physical properties of food, texture and Rhelogy and super critical fluid extraction.

Jill Zacharias, M.Sc. – Assistant Manager, Analytical Services

Jill is responsible for the day-to-day operations of the Analytical Services department, including business development and client relations. Her expertise in microbiology enables her to assist clients in troubleshooting for their plants. She is responsible for investigative analyses of a routine and non-routine nature to assess the quality of food products and ingredients.

Linda Wiebe - Analyst

Linda has been with FDC since 1986 and is responsible for conducting all liquor testing and reporting. In addition, she is responsible for sample reception, purchasing and preparing documents for invoicing for the entire Analytical Services Department.

Leslie Hudson, B.Sc. - Analyst

Leslie is responsible for the microbiological analysis for spoilage and pathogenic organisms in food, feed and beverage samples. She is also responsible for maintaining quality control and accreditation standards in the Microbiology laboratory. Leslie has had experience in research and quality control within the food industry.